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3
4 BEFORE THE CITY COUNCIL
5 OF THE CITY OF LAS VEGAS, NEVADA

6 * * *

7 IN THE MATTER OF:

8 DEPARTMENT OF FINANCE AND
9 BUSINESS SERVICES on behalf of the
CITY OF LAS VEGAS, NEVADA,

10 Petitioner,

11 vs.

12 THE POWER COMPANY, INC. d/b/a
13 CRAZY HORSE TOO,

14 Respondent.

**COMPLAINT FOR
DISCIPLINARY ACTION**

15
16 The DEPARTMENT OF FINANCE AND BUSINESS SERVICES, on behalf of the
17 CITY OF LAS VEGAS, NEVADA (Department), Petitioner, brings this Complaint for
18 Disciplinary Action against THE POWER COMPANY, INC. d/b/a CRAZY HORSE TOO,
19 2476 Industrial Road, Las Vegas, Clark County, Nevada, Respondent, and states:

- 20 1. Respondent THE POWER COMPANY, INC., holds **Tavern License** No.
21 L16-00003-4-000209.
- 22 2. Records held by the Department indicate that Frederick Rizzolo is a principal in
23 the corporation who holds a 95% share, and that Bartholomew "Bart" Rizzolo holds a 5%
24 share. **Frederick Rizzolo** is listed as the **manager** of CRAZY HORSE TOO.

25 **SUMMARY OF ALLEGATIONS**

26 On June 1, 2006, THE POWER COMPANY, INC. d/b/a **CRAZY HORSE TOO**
27 **pled guilty** in the United States District Court for the District of Nevada to one count of
28 Conspiracy to Participate in an Enterprise Engaged in Racketeering Activity between

January 1, 2000, and 20005. On the same date **Frederick Rizzolo pled guilty**, in the same court, to one count of Conspiracy to Defraud the United States between January 1, 2000, and 2005. **Sixteen (16) employees** of CRAZY HORSE TOO, **pled guilty**,¹ in the same court, to various charges, including False Statements Before a Grand Jury, Conspiracy to Participate in an Enterprise Engaged in Racketeering Activity, and Conspiracy to Defraud the United States.²

Las Vegas Municipal Code (LVMC) § 6.02.330(H) proscribes operating a business whose “actual **business activity** constitutes a public or private nuisance, or has been or is **being conducted in an unlawful, illegal or impermissible manner**. [Emphasis added.]”

¹

GUILTY PLEAS

The Power Company, Inc.	3	Steven Crespi	16
Frederick Rizzolo	7	Rocco Lombardo	17
Robert D’Apice	9	Michael Lomonaco	18
Vincent Faraci	10	Michael Muscato	19
Joseph Melfi	12	Ralph Pope	20
Albert Rapuano	13	Scott Speroni	20
John Drace	14	James Stressing	21
Steve Alberts	14	Robert Ubriaco	22
Darren Bruy	15	Paula McBride	22

CHARGING DOCUMENTS

The Criminal Information	The Power Company, Inc. d/b/a Crazy Horse Too	24
The Criminal Information	Frederick John Rizzolo	26
The Criminal Information	Robert D’Apice and fourteen (14) other employees of Crazy Horse Too	28
The Criminal Indictment	Paula McBride	31

² The Power Company, Inc. admitted that it was “pleading guilty because the defendant is guilty of the charged offense,” and that “the United States could prove facts sufficient to establish beyond a reasonable doubt the defendant is guilty of the offense charged.” See page 5 of this Complaint. The Criminal Information to which The Power Company, Inc. pled guilty charged it with Conspiracy to Participate in a Racketeering Enterprise “during the period from **2000 to 2005**.” See page 26 of this Complaint. LVMC § 6.02.360 provides that a licensee subject to discipline may be fined “in an amount not to exceed **\$1,000 for each day** that the violation which forms the subject matter of the complaint that recommends such disciplinary action is demonstrated to have been in existence” If the City Council approves the Complaint, and after hearing the matter determines that a disciplinary offense has been committed as set forth in the Complaint, THE POWER COMPANY, INC. d/b/a CRAZY HORSE TOO is subject to a fine not to exceed **\$2,192,000**.

1 The Government and Defendant Corporation agree that
2 the court should impose a **\$500,000 fine** upon Defendant
Corporation

3

4 Defendant Corporation agrees to make **restitution** in an
5 amount of **\$10,000,000** as compensation for injury and damages
6 to **Kirk and Amy Henry**, with \$1,000,000 due immediately
upon the entry of Defendant Corporation's plea and the
remainder due and to be paid from the proceeds of the sale of
THE CRAZY HORSE TOO at the time of the closing of its sale.
7 . . .

8 Defendant Corporation agrees to make **restitution** in an
9 amount of **\$1,734,000** to the Internal Revenue Service (**IRS**).
10 . . . This Plea Agreement is contingent on Defendant Corporation
and the IRS entering a **Closing Agreement**. Upon entry of the
said Closing Agreement, the agreement shall be attached to this
Plea Agreement and incorporated herein by reference.³ . . .

11 Defendant Corporation agrees to **forfeit** to the United
12 States of America voluntarily and immediately all of its rights to,
13 title in, and interest in the **\$4,250,000.00** from the proceeds of
the sale of THE CRAZY HORSE TOO. . . .

14

15 . . . THE POWER COMPANY, INC., within 12 months
16 from the entry of its plea shall **sell THE CRAZY HORSE TOO**.
17 . . .

18

19 If at the end of the 12-month period for selling of THE
20 CRAZY HORSE TOO, Defendant Corporation has not sold THE
21 CRAZY HORSE TOO . . . the Government and defendant . . .
will confer in a good faith effort to determine and agree on a
third party manager/seller If the parties are unable to reach
an agreement . . . then either or both parties may apply to the
Court for a determination of the manager/seller. The third party
manager/seller shall be a licensed, nationally recognized
management/commercial sales firm. The manager/seller will be
responsible to: 1) lawfully operate the Crazy Horse Too during
the time the business is being sold . . . and 2) to sell the club in
as reasonable time as possible

24 **The Government shall have the right to disapprove a**
25 **Buyer** of THE CRAZY HORSE TOO who the Government
26 objectively demonstrates is a close relative or ongoing business

27 ³ The Closing Agreement was executed June 1, 2006, by Rick Rizzolo and thereafter by a
28 designee of the Commissioner of Internal Revenue. See the Plea Memorandum.

1 partner of FREDERICK RIZZOLO, is a multiple felon or a felon
2 within the last ten years, or has business dealings with identified
3 members and associates of the La Cosa Nostra (LCN) or other
4 identified organized crime group or has been convicted of a crime
5 with identified members and associates of the LCN or other
6 identified organized crime group.

7 . . . Defendant Corporation will **make available** to such
8 individuals as the Government directs the **accounting books and**
9 **records** of THE CRAZY HORSE TOO for the purpose of
10 ensuring the lawful operation of the business. . . .

11
12 **This Plea Agreement** is limited to the United States
13 Attorney's Office for the District of Nevada and **cannot bind**
14 **any other** federal, state or local prosecuting, **administrative, or**
15 **regulatory authority.**

16
17 The Defendant Corporation is **pleading guilty** because
18 **the Defendant Corporation is guilty** of the offense charged
19

20 . . . Defendant Corporation acknowledges that if the
21 Defendant Corporation elected to go to trial instead of entering
22 this plea, **the United States could prove facts sufficient to**
23 **establish beyond a reasonable doubt** that the Defendant
24 Corporation is guilty of the offense charged⁴

25 The Defendant Corporation specifically admits and
26 declares under penalty of perjury that all of the **facts set forth**
27 **below are true and correct.**

28 . . . **THE CRAZY HORSE TOO . . . ROBERT**
D'APICE, and other individuals **constituted a racketeering**
enterprise

. . . **THE POWER COMPANY, INC.,** owned and
operated a business known as **THE CRAZY HORSE TOO . . .**
ROBERT D'APICE, was a shift manager

⁴ The Criminal Information filed against the Power Company, Inc. alleges that The Power Company, Inc. engaged in racketeering, extortion, and fraud between 2000 and 2005. LVMC § 6.02.360 provides that a licensee subject to discipline may be fined "in an amount not to exceed **\$1,000 for each day** that the violation which forms the subject matter of the complaint that recommends such disciplinary action is demonstrated to have been in existence" If the City Council approves the Complaint, and after hearing the matter determines that a disciplinary offense has been committed as set forth in the Complaint, **THE POWER COMPANY, INC. d/b/a CRAZY HORSE TOO** is subject to a fine not to exceed **\$2,192,000.** See p. 26.

1
2 . . . Defendant Corporation conspired and agreed with
3 ROBERT D'APICE, and other individuals to conduct or
4 participate, directly or indirectly, in the conduct of the
5 enterprise's affairs through a pattern of racketeering activity,
6 to wit: acts of extortion and threats indictable under United
States Code . . . and Nevada Revised Statutes . . . acts of access
device fraud and wire fraud indictable under United States Code
. . . and acts of mail fraud and wire fraud indictable under . . .
United States Code

7 . . . [D]ancers generally collected payments from patrons
8 of THE CRAZY HORSE TOO for dances or other services the
9 dancers provided. If a patron refused to pay a dancer, or if a
10 patron disputed the charges claimed by a dancer, the dancer
11 typically followed the procedure of initially contacting the shift
12 manager . . . [T]he shift manager or other male employees,
during the course of the conspiracy and acting within the scope of
their employment at THE CRAZY HORSE TOO . . . sought to
extort payment from patrons through explicit or implicit
threats of violence, or through actual use of force and physical
violence against patrons to force the patron to pay the disputed
payment. . . .

13 . . . [D]ancers on one or more occasions sought to
14 defraud customers of THE CRAZY HORSE TOO by
15 overcharging the customers for dances or other services provided
16 or by causing charges on a customer's credit card in excess of the
17 dances or other services provided. . . . [T]he shift managers or
18 other male employees, during the course of the conspiracy and
19 acting within the scope of their employment at THE CRAZY
HORSE TOO . . . assisted the dancers in the commission of the
fraud by extorting payment from patrons through explicit or
implicit threats of violence, or through actual use of force and
physical violence against patrons to force the patron to pay the
disputed payment. . . .

20 . . . [I]n furtherance of the conspiracy . . . THE CRAZY
21 HORSE TOO, did not report or maintain records of the
22 money received from the dancers. . . . THE CRAZY HORSE
TOO used this unreported cash income from the business to
supplement the wages of certain employees. . . .

23 . . . [T]he owners of THE CRAZY HORSE TOO and
24 certain of the participating employees did not accurately report
25 the income of THE POWER COMPANY, INC., doing
26 business as, THE CRAZY HORSE TOO, or the income of the
owners, managers, and employees of THE CRAZY HORSE
TOO to the Nevada Employment Security Division, and to
industrial (workman's compensation) insurance providers.

27 Document 2, Plea Memorandum, pp. 3, 5-9, 11, 13-17 (emphasis added).
28

1 **THE GUILTY PLEA OF FREDERICK RIZZOLO**

2 FREDERICK RIZZOLO entered a **plea of guilty** June 1, 2006, to one count of
3 **Conspiracy to Defraud the United States** in violation of 18 U.S.C. § 371 in the United
4 States District Court for the District of Nevada under Case No. 2:06-cr-186-PMP-PAL. A
5 Plea Memorandum executed by FREDERICK RIZZOLO was filed with the court as part of
6 the guilty plea. Relevant portions of the Plea Memorandum provide:

7 The Government and defendant agree that the court should
8 impose a **\$250,000 fine** upon defendant at the time of defendant's
 sentencing

9
10 **Defendant** voluntarily and immediately **agrees to the**
11 administrative **forfeiture**, civil forfeiture, or criminal forfeiture
12 of all of his rights to, title in, and interest in the **\$4,250,000.00**
 to the United States of America

13
14 The \$4,250,000.00 agreed to be forfeited to the United
15 States by the defendant is the same \$4,250,000.00 agreed to be
16 forfeited by the Power Company, Inc. in its Plea Memorandum
 and does not represent an additional amount to be forfeited, i.e.,
 only a total amount of \$4,250,000.00 shall be forfeited jointly by
 the defendant and the Power Company, Inc.

17
18 **Defendant Rizzolo** agrees that, upon the sale of THE
19 CRAZY HORSE TOO, **he will not thereafter continue to**
20 **operate** or establish, open, or facilitate the establishment,
21 opening, or operation of any business, trade, or commercial
22 activity, similar to THE CRAZY HORSE TOO or involving the
23 production and/or sale of pornographic . . . or erotic . . . media
24 . . . or in any manner become interested, directly or indirectly,
25 either as an employee, owner, partner, agent, stockholder,
26 director, officer, LLC member, or otherwise, in any such
 business, trade or commercial enterprise within the geographical
 boundaries of the United States of America and its territories and
 commonwealths for the duration of his natural life. To the extent
 defendant Rizzolo currently owns, operates or has any
 involvement in any such establishments described in this
 paragraph, other than THE CRAZY HORSE TOO, he shall have
 12 months from the entry of his plea to dispose of such interests
 or involvements.

27
28

1 **This Plea Agreement** is limited to the United States
2 Attorney's Office for the District of Nevada and **cannot bind**
3 **any** other federal, state or **local** prosecuting, **administrative, or**
4 **regulatory authority.**

5

6 The defendant is **pleading guilty** because the defendant
7 **is guilty** of the charged offense.

8 In pleading to that offense, the defendant acknowledges
9 that if the defendant elected to go to trial instead of entering this
10 plea, **the United States could prove facts sufficient to establish**
11 **beyond a reasonable doubt** that the defendant is guilty of the
12 offense charged⁵

13 The defendant specifically admits and declares under
14 penalty of perjury that all of the **facts set forth below are true**
15 **and correct:**

16 **THE CRAZY HORSE TOO** and the **defendant** and
17 employees **conspired to defraud** the United States.

18 **THE CRAZY HORSE TOO** in Las Vegas, Nevada, was
19 typically known as a "gentlemen's club" or "strip club." . . .

20 Dancers performing at **THE CRAZY HORSE TOO** are
21 treated as independent contractors and are not paid by the club
22 for their services. Rather, **THE CRAZY HORSE TOO** patrons
23 commonly pay individual dancers for their services. The dancers
24 at **THE CRAZY HORSE TOO** are generally required to pay the
25 management or owners of **THE CRAZY HORSE TOO** a fee for
26 the opportunity to ply their craft within the club. Rather than
27 charging dancers a flat fee, the shift management of **THE**
28 **CRAZY HORSE TOO** generally required that dancers pay a
percentage of their earnings. More specifically, **THE CRAZY**
HORSE TOO generally required that dancers pay **fifteen**
percent (15%) of their earnings The shift managers of
THE CRAZY HORSE TOO generally collected **fifteen percent**
(15%) of the individual dancers' earnings at the end of each shift.

 As part of the conspiracy, **the management** of **THE**
CRAZY HORSE TOO **did not report or maintain records of**
the money received from the dancers. The management of **THE**

⁵ See page 26 of this Disciplinary Complaint quoting the Criminal Complaint as stating that the conspiracy lasted between 2000 and 2005. LVMC § 6.02.360 provides that a licensee subject to discipline may be fined "in an amount not to exceed **\$1,000 for each day** that the violation which forms the subject matter of the complaint that recommends such disciplinary action is demonstrated to have been in existence" If the City Council approves the Complaint, and after hearing the matter determines that a disciplinary offense has been committed as set forth in the Complaint, **THE POWER COMPANY, INC. d/b/a CRAZY HORSE TOO** is subject to a fine not to exceed **\$2,192,000.**

1 **CRAZY HORSE TOO used this unreported cash income from**
2 **the business to supplement the wages of certain employees.**
3 . . . As a result of the procedures of THE CRAZY HOSE TOO
4 persons receiving the cash salary payments generally **under-**
5 **reported** amounts received to THE CRAZY HORSE TOO's
6 bookkeeping staff. By failing to report or record the cash
7 payments to the club's employees, the owners of THE CRAZY
8 HORSE TOO and certain of the participating employees were
9 able to **avoid** Federal Insurance Contributions Act (**FICA**) taxes
10 owed to the United States on the unreported compensation.

11 As part of the conspiracy the defendant and management
12 of THE CRAZY HORSE TOO delivered to the accountant and
13 tax preparer for THE CRAZY HORSE TOO records which failed
14 to reflect the monies described The defendant and
15 management of THE CRAZY HORSE TOO knew that the
16 accountant would rely on these inaccurate summary sheets to
17 prepare quarterly financial reports and tax returns

18 **The management knowingly caused the preparation**
19 **and delivery of numerous inaccurate Internal Revenue Service**
20 **W-2 Forms** to certain employees of THE CRAZY HORSE TOO,
21 as well as to the Internal Revenue Service. The figures reported
22 on the W-2 Forms did not reflect the true amount of the income
23 paid by the business to its management and employees. The
24 management and employees of THE CRAZY HORSE TOO then
25 knowingly **used these inaccurate W-2 Forms to cause false**
26 **individual income tax returns to be filed** with the Internal
27 Revenue Service.

28 . . . [T]he conspiracy allowed THE CRAZY HORSE
TOO to underpay approximately \$400,000 in Federal Insurance
Contributions Action (FICA) taxes and Medicare taxes.

Document 3, Plea Memorandum, pp. 4-13 (emphasis added).

THE GUILTY PLEA OF ROBERT D'APICE

ROBERT D'APICE entered a plea of guilty May 31, 2006, to one count of
Conspiracy to Participate in an Enterprise Engaged in Racketeering Activity in violation
of 18 U.S.C. § 1962(d) in the United States District Court for the District of Nevada under
Case No. 2:05-cr-17-KJD-LRL. The guilty plea included filing a Plea Memorandum.
Relevant portions of the Plea Memorandum executed by ROBERT D'APICE provide:

The defendant will plead guilty to count one of the
information charging conspiracy to participate in an enterprise
engaged in racketeering activity

. . . .

This Plea Agreement is limited to the United States
Attorney's Office for the District of Nevada and cannot bind any

1 other federal, state or local prosecuting, administrative, or
2 regulatory authority. . . .

3

4 The defendant is pleading guilty because the defendant is
5 guilty of the charged offense.

6 In pleading to the offense, the defendant acknowledges
7 that if the defendant elected to go to trial instead of entering this
8 plea, the United States could prove facts sufficient to establish the
9 defendant's guilt beyond a reasonable doubt.

10 The defendant specifically admits and declares under
11 penalty of perjury that all of the facts set forth below are true and
12 correct:

13

14 . . . [D]efendant **ROBERT D'APICE** was a shift
15 manager at the business operation of THE POWER COMPANY,
16 INC., doing business as THE CRAZY HORSE TOO.

17

18 At all times material to this agreement, dancers usually
19 collected payments from patrons of THE CRAZY HORSE TOO
20 for dances or other services the dancers provided. If a patron
21 refused to pay a dancer, or if a patron disputed the charges
22 claimed by a dancer, the dancer typically followed the procedure
23 of initially contacting the shift manager [T]he defendant,
24 during the course of the conspiracy and acting within the
25 scope of his employment at THE CRAZY HORSE TOO, on at
26 least two or more occasions sought to extort payment from
27 patrons through explicit or implicit threats of violence, and
28 through actual use of force and physical violence against
patrons in which various degrees of bodily injury were caused.
In carrying out this purpose of the enterprise, defendant engaged
in acts and threats involving extortion in violation of state law

. . . .

Document 4, Plea Memorandum, pp. 2, 7, 9-10 (emphasis added).

THE GUILTY PLEA OF VINCENT FARACI

On May 31, 2006, VINCENT FARACI pled guilty to one count of **Conspiracy to Defraud the United States** in violation of 18 U.S.C. § 371 in the United States District Court for the District of Nevada under Case No. 2:05-cr-17-KJD-LRL. This guilty plea involved filing a Plea Memorandum executed by VINCENT FARACI May 31, 2006. Relevant portions of the Plea Memorandum provide that:

1 The defendant will plead guilty to count two of the
2 information charging conspiracy to defraud the United States
3

4 This Plea Agreement is limited to the United States
5 Attorney's Office for the District of Nevada and cannot bind any
6 other federal, state or local prosecuting, administrative, or
7 regulatory authority. . . .

8 The defendant is pleading guilty because the defendant is
9 guilty of the charged offense.

10 In pleading to that offense, the defendant acknowledges
11 that if the defendant elected to go to trial instead of entering this
12 plea, the United States could prove facts sufficient to establish
13 beyond a reasonable doubt that the defendant is guilty of the
14 offense charged

15 The defendant specifically admits and declares under
16 penalty of perjury that all of the facts set forth below are true and
17 correct:

18 **THE CRAZY HORSE TOO and the defendant and**
19 **employees conspired to defraud the United States.**

20 THE CRAZY HORSE TOO . . . was typically known as
21 a "gentlemen's club" or "strip club." . . .

22 Dancers performing at THE CRAZY HORSE TOO are
23 treated as independent contractors and are not paid by the club
24 for their services. Rather, THE CRAZY HORSE TOO patrons
25 commonly pay individual dancers for their services. The dancers
26 at THE CRAZY HORSE TOO are generally required to pay the
27 management or owners of THE CRAZY HORSE TOO a fee for
28 the opportunity to ply their craft within the club. Rather than
charging dancers a flat fee, the shift management of **THE**
CRAZY HORSE TOO generally required that dancers pay a
percentage of their earnings. More specifically, THE CRAZY
HORSE TOO generally required that dancers pay fifteen percent
(15%) of their earnings for the privilege of dancing for patrons at
THE CRAZY HORSE TOO. **The shift managers of THE**
CRAZY HORSE TOO generally collected fifteen percent (15%)
of the individual dancers' earnings at the end of each shift. . . .
The defendant was among the employees of THE CRAZY
HORSE TOO who received a portion of the United States
currency collected from the dancers.

 . . . [T]he defendant agreed and conspired with THE
CRAZY HORSE TOO, its management, and other employees, to
under-report the cash income received at the end of each shift.

THE GUILTY PLEA OF JOSEPH MELFI

JOSEPH MELFI entered a plea of guilty to one count of **Conspiracy to Defraud the United States** in violation of 18 U.S.C. § 371 May 31, 2006, in the United States District Court for the District of Nevada under Case No. 2:05-cr-17-KJD-LRL. A Plea Memorandum was filed with the court as part of the guilty plea. Relevant portions of the Plea Memorandum provide that:

The defendant will plead guilty to count two of the information charging conspiracy to defraud the United States

. . . .

. . . .

This Plea Agreement is limited to the United States Attorney's Office for the District of Nevada and cannot bind any other federal, state or local prosecuting, administrative, or regulatory authority. . . .

. . . .

The defendant is pleading guilty because the defendant is guilty of the charged offense.

In pleading to that offense, the defendant acknowledges that if the defendant elected to go to trial instead of entering this plea, the United States could prove facts sufficient to establish beyond a reasonable doubt that the defendant is guilty of the offense charged in Count Two of the Information.

. . . .

THE CRAZY HORSE TOO and the defendant and employees conspired to defraud the United States.

. . . .

. . . The shift managers of THE CRAZY HORSE TOO generally collected fifteen percent (15%) of the individual dancers' earnings at the end of each shift. . . . The defendant was among the employees of THE CRAZY HORSE TOO who received a portion of the United States currency collected from the dancers.

. . . [T]he defendant agreed and conspired with THE CRAZY HORSE TOO, its management, and other employees, to under-report the cash income received at the end of each shift.

Document 6, Plea Memorandum, pp. 2, 6-9 (emphasis added).

. . . .

1 **THE GUILTY PLEA OF ALBERT RAPUANO**

2 ALBERT RAPUANO entered a plea of guilty to one count of **Conspiracy to Defraud**
3 **the United States** in violation of 18 U.S.C. § 371 May 31, 2006, in the United States District
4 Court for the District of Nevada under Case No. 2:05-cr-17-KJD-LRL. A Plea Memorandum
5 was filed with the court as part of the guilty plea. Relevant portions of the Plea Memorandum
6 provide that:

7 The defendant will plead guilty to count two of the
8 information charging conspiracy to defraud the United States
9

10 This Plea Agreement is limited to the United States
11 Attorney's Office for the District of Nevada and cannot bind any
12 other federal, state or local prosecuting, administrative, or
13 regulatory authority. . . .

14 The defendant is pleading guilty because the defendant is
15 guilty of the charged offense.

16 In pleading to that offense, the defendant acknowledges
17 that if the defendant elected to go to trial instead of entering this
18 plea, the United States could prove facts sufficient to establish
19 beyond a reasonable doubt that the defendant is guilty of the
20 offense charged in Count Two of the Information.

21
22 **THE CRAZY HORSE TOO and the defendant and**
23 **employees conspired to defraud the United States.**

24 . . . The shift managers of THE CRAZY HORSE TOO
25 generally collected fifteen percent (15%) of the individual
26 dancers' earnings at the end of each shift. . . . The defendant was
27 among the employees of THE CRAZY HORSE TOO who
28 received a portion of the United States currency collected from
the dancers.

 . . . [T]he defendant agreed and conspired with THE
CRAZY HORSE TOO, its management, and other employees, to
under-report the cash income received at the end of each shift.

Document 7, Plea Memorandum, pp. 2, 6-9 (emphasis added).

1 **THE GUILTY PLEA OF JOHN DRACE**

2 JOHN DRACE pled guilty to one count of **Conspiracy to Defraud the United States**
3 in violation of 18 U.S.C. § 371 May 31, 2006, under Case No. 2:05-cr-17-KJD-LRL in the
4 United States District Court for the District of Nevada. He filed a Plea Memorandum as part
5 of his guilty plea. Relevant portions of the Plea Memorandum provide:

6 The defendant will plead guilty to Count Two of the
7 Information charging conspiracy to defraud the United States in
8 violation of Title 18, United States Code, Section 371.

9

10 This Plea Agreement is limited to the United States
11 Attorney's Office for the District of Nevada and cannot bind any
12 other federal, state or local prosecuting, administrative, or
13 regulatory authority. . . .

14

15 The defendant is pleading guilty because the defendant is
16 guilty of the charged offense.

17 In pleading to that offense, the defendant acknowledges
18 that if the defendant elected to go to trial instead of entering this
19 plea, the United States could prove facts sufficient to establish
20 beyond a reasonable doubt that the defendant is guilty of the
21 offense charged in Count Two of the Information.

22

23 **THE CRAZY HORSE TOO and the defendant and**
24 **employees conspired to defraud the United States.**

25

26 . . . The shift managers of THE CRAZY HORSE TOO
27 generally collected fifteen percent (15%) of the individual
28 dancers' earnings at the end of each shift. . . . The defendant was
among the employees of THE CRAZY HORSE TOO who
received a portion of the United States currency collected from
the dancers.

 . . . [T]he defendant agreed and conspired with THE
CRAZY HORSE TOO, its management, and other employees, to
under-report the cash income received at the end of each shift.

Document 8, Plea Memorandum, pp. 2, 6-9 (emphasis added).

THE GUILTY PLEA OF STEVE ALBERTS

 STEVE ALBERTS pled guilty to one count of **Conspiracy to Defraud the United**
States in violation of 18 U.S.C. § 371 May 31, 2006, under Case No. 2:05-cr-17-KJD-LRL

1 in the United States District Court for the District of Nevada. Part of the guilty plea involved
2 filing a Plea Memorandum. Relevant portions of the Plea Memorandum provide:

3 The defendant will plead guilty to Count Two of the
4 Information charging conspiracy to defraud the United States in
violation of Title 18, United States Code, Section 371.

5

6 This Plea Agreement is limited to the United States
7 Attorney's Office for the District of Nevada and cannot bind any
8 other federal, state or local prosecuting, administrative, or
regulatory authority. . . .

9

10 The defendant is pleading guilty because the defendant is
guilty of the charged offense.

11 In pleading to that offense, the defendant acknowledges
12 that if the defendant elected to go to trial instead of entering this
13 plea, the United States could prove facts sufficient to establish
beyond a reasonable doubt that the defendant is guilty of the
offense charged in Count Two of the Information.

14

15 **THE CRAZY HORSE TOO and the defendant and**
16 **employees conspired to defraud the United States.**

17

18 . . . The shift managers of THE CRAZY HORSE TOO
generally collected fifteen percent (15%) of the individual
19 dancers' earnings at the end of each shift. . . . The defendant was
among the employees of THE CRAZY HORSE TOO who
20 received a portion of the United States currency collected from
the dancers.

21 . . . [T]he defendant agreed and conspired with THE
22 CRAZY HORSE TOO, its management, and other employees, to
under-report the cash income received at the end of each shift.

23 Document 9, Plea Memorandum, pp. 2, 6-9 (emphasis added).

24 **THE GUILTY PLEA OF DARREN BRUY**

25 DARREN BRUY pled guilty to one count of **Conspiracy to Defraud the United**
26 **States** in violation of 18 U.S.C. § 371 May 31, 2006, under Case No. 2:05-cr-17-KJD-LRL
27 in the United States District Court for the District of Nevada. He filed a Plea Memorandum as
28 part of his guilty plea. Relevant portions of the Plea Memorandum provide that:

1 The defendant will plead guilty to Count Two of the
2 Information charging conspiracy to defraud the United States in
violation of Title 18, United States Code, Section 371.

3

4 This Plea Agreement is limited to the United States
5 Attorney's Office for the District of Nevada and cannot bind any
6 other federal, state or local prosecuting, administrative, or
regulatory authority. . . .

7

8 The defendant is pleading guilty because the defendant is
guilty of the charged offense.

9 In pleading to that offense, the defendant acknowledges
10 that if the defendant elected to go to trial instead of entering this
11 plea, the United States could prove facts sufficient to establish
beyond a reasonable doubt that the defendant is guilty of the
offense charged in Count Two of the Information.

12

13 **THE CRAZY HORSE TOO and the defendant and**
14 **employees conspired to defraud the United States.**

15 The shift managers of THE CRAZY HORSE TOO
16 generally collected fifteen percent (15%) of the individual
17 dancers' earnings at the end of each shift. . . . The defendant was
among the employees of THE CRAZY HORSE TOO who
received a portion of the United States currency collected from
the dancers.

18 . . . [T]he defendant agreed and conspired with THE
19 CRAZY HORSE TOO, its management, and other employees, to
20 under-report the cash income received at the end of each shift.

21 Document 10, Plea Memorandum, pp. 2, 6-9 (emphasis added).

22 **THE GUILTY PLEA OF STEVEN CRESPI**

23 STEVEN CRESPI pled guilty to one count of **Conspiracy to Defraud the United**
24 **States** in violation of 18 U.S.C. § 371 May 31, 2006, under Case No. 2:05-cr-17-KJD-LRL
25 in the United States District Court for the District of Nevada. He filed a Plea Memorandum as
26 part of this guilty plea. Relevant portions of the Plea Memorandum provide:

27 The defendant will plead guilty to Count Two of the
28 Information charging conspiracy to defraud the United States in
violation of Title 18, United States Code, Section 371.

1
2 This Plea Agreement is limited to the United States
3 Attorney's Office for the District of Nevada and cannot bind any
4 other federal, state or local prosecuting, administrative, or
5 regulatory authority. . . .

6 **THE CRAZY HORSE TOO and the defendant and**
7 **employees conspired to defraud the United States.**

8 . . . The shift managers of THE CRAZY HORSE TOO
9 generally collected fifteen percent (15%) of the individual
10 dancers' earnings at the end of each shift. . . . The defendant was
11 among the employees of THE CRAZY HORSE TOO who
12 received a portion of the United States currency collected from
13 the dancers.

14 . . . [T]he defendant agreed and conspired with THE
15 CRAZY HORSE TOO, its management, and other employees, to
16 under-report the cash income received at the end of each shift.

17 Document 11, Plea Memorandum, pp. 2, 6, 8-9 (emphasis added).

18 **THE GUILTY PLEA OF ROCCO LOMBARDO**

19 ROCCO LOMBARDO entered a plea of guilty to one count of **Conspiracy to Defraud**
20 **the United States** in violation of 18 U.S.C. § 371 May 31, 2006, under Case No. 2:05-cr-
21 17-KJD-LRL in the United States District Court for the District of Nevada. He filed a Plea
22 Memorandum as part of this guilty plea. Relevant portions of the Plea Memorandum provide:

23 The defendant will plead guilty to Count Two of the
24 Information charging conspiracy to defraud the United States in
25 violation of Title 18, United States Code, Section 371.

26
27 This Plea Agreement is limited to the United States
28 Attorney's Office for the District of Nevada and cannot bind any
other federal, state or local prosecuting, administrative, or
regulatory authority. . . .

THE CRAZY HORSE TOO and the defendant and
employees conspired to defraud the United States.

1 . . . The shift managers of THE CRAZY HORSE TOO
2 generally collected fifteen percent (15%) of the individual
3 dancers' earnings at the end of each shift. . . . The defendant was
4 among the employees of THE CRAZY HORSE TOO who
5 received a portion of the United States currency collected from
6 the dancers.

7 . . . [T]he defendant agreed and conspired with THE
8 CRAZY HORSE TOO, its management, and other employees, to
9 under-report the cash income received at the end of each shift.

10 Document 12, Plea Memorandum, pp. 2, 6, 8-9 (emphasis added).

11 **THE GUILTY PLEA OF MICHAEL LOMONACO**

12 MICHAEL LOMONACO pled guilty to one count of **Conspiracy to Defraud the**
13 **United States** in violation of 18 U.S.C. § 371 May 31, 2006, under Case No. 2:05-cr-17-
14 KJD-LRL in the United States District Court for the District of Nevada. He filed a Plea
15 Memorandum as part of his guilty plea. Relevant portions of the Plea Memorandum provide:

16 The defendant will plead guilty to Count Two of the
17 Information charging conspiracy to defraud the United States in
18 violation of Title 18, United States Code, Section 371.

19

20 This Plea Agreement is limited to the United States
21 Attorney's Office for the District of Nevada and cannot bind any
22 other federal, state or local prosecuting, administrative, or
23 regulatory authority. . . .

24

25 **THE CRAZY HORSE TOO and the defendant and**
26 **employees conspired to defraud the United States.**

27

28 . . . The shift managers of THE CRAZY HORSE TOO
generally collected fifteen percent (15%) of the individual
dancers' earnings at the end of each shift. . . . The defendant was
among the employees of THE CRAZY HORSE TOO who
received a portion of the United States currency collected from
the dancers.

. . . [T]he defendant agreed and conspired with THE
CRAZY HORSE TOO, its management, and other employees, to
under-report the cash income received at the end of each shift.

Document 13, Plea Memorandum, pp. 2, 6, 8-9 (emphasis added).

1 **THE GUILTY PLEA OF MICHAEL MUSCATO**

2 MICHAEL MUSCATO pled guilty to one count of **Conspiracy to Defraud the**
3 **United States** in violation of 18 U.S.C. § 371 May 31, 2006, under Case No. 2:05-cr-17-
4 KJD-LRL in the United States District Court for the District of Nevada. He filed a Plea
5 Memorandum as part of his guilty plea. Relevant portions of the Plea Memorandum provide:

6 The defendant will plead guilty to Count Two of the
7 Information charging conspiracy to defraud the United States in
8 violation of Title 18, United States Code, Section 371.

9

10 This Plea Agreement is limited to the United States
11 Attorney's Office for the District of Nevada and cannot bind any
12 other federal, state or local prosecuting, administrative, or
13 regulatory authority. . . .

14

15 **THE CRAZY HORSE TOO and the defendant and**
16 **employees conspired to defraud the United States.**

17

18 . . . The shift managers of THE CRAZY HORSE TOO
19 generally collected fifteen percent (15%) of the individual
20 dancers' earnings at the end of each shift. . . . The defendant was
21 among the employees of THE CRAZY HORSE TOO who
22 received a portion of the United States currency collected from
23 the dancers.

24 . . . [T]he defendant agreed and conspired with THE
25 CRAZY HORSE TOO, its management, and other employees, to
26 under-report the cash income received at the end of each shift.

27 Document 14, Plea Memorandum, pp. 2, 6, 8-9 (emphasis added).

28 **THE GUILTY PLEA OF RALPH POPE**

 RALPH POPE entered a plea of guilty to one count of **Conspiracy to Defraud the**
 United States in violation of 18 U.S.C. § 371 May 31, 2006, under Case No. 2:05-cr-17-
KJD-LRL in the United States District Court for the District of Nevada. He filed a Plea
Memorandum as part of his guilty plea. Relevant portions of the Plea Memorandum provide:

 The defendant will plead guilty to Count Two of the
Information charging conspiracy to defraud the United States in
violation of Title 18, United States Code, Section 371.

1

2 This Plea Agreement is limited to the United States
3 Attorney's Office for the District of Nevada and cannot bind any
4 other federal, state or local prosecuting, administrative, or
5 regulatory authority. . . .

6

7 **THE CRAZY HORSE TOO and the defendant and**
8 **employees conspired to defraud the United States.**

9 . . . The shift managers of THE CRAZY HORSE TOO
10 generally collected fifteen percent (15%) of the individual
11 dancers' earnings at the end of each shift. . . . The defendant was
12 among the employees of THE CRAZY HORSE TOO who
13 received a portion of the United States currency collected from
14 the dancers.

15 . . . [T]he defendant agreed and conspired with THE
16 CRAZY HORSE TOO, its management, and other employees, to
17 under-report the cash income received at the end of each shift.

18 Document 15, Plea Memorandum, pp. 2, 6, 8-9 (emphasis added).

19 **THE GUILTY PLEA OF SCOTT SPERONI**

20 SCOTT SPERONI entered a plea of guilty to one count of **Conspiracy to Defraud the**
21 **United States** in violation of 18 U.S.C. § 371 May 31, 2006, under Case No. 2:05-cr-17-
22 KJD-LRL in the United States District Court for the District of Nevada. He filed a Plea
23 Memorandum as part of this guilty plea. Relevant portions of the Plea Memorandum provide:

24 The defendant will plead guilty to Count Two of the
25 Information charging conspiracy to defraud the United States in
26 violation of Title 18, United States Code, Section 371.

27

28 This Plea Agreement is limited to the United States
Attorney's Office for the District of Nevada and cannot bind any
other federal, state or local prosecuting, administrative, or
regulatory authority. . . .

THE CRAZY HORSE TOO and the defendant and
employees conspired to defraud the United States.

1 . . . The shift managers of THE CRAZY HORSE TOO
2 generally collected fifteen percent (15%) of the individual
3 dancers' earnings at the end of each shift. . . . The defendant was
4 among the employees of THE CRAZY HORSE TOO who
5 received a portion of the United States currency collected from
6 the dancers.

7 . . . [T]he defendant agreed and conspired with THE
8 CRAZY HORSE TOO, its management, and other employees, to
9 under-report the cash income received at the end of each shift.

10 Document 16, Plea Memorandum, pp. 2, 6, 8-9 (emphasis added).

11 **THE GUILTY PLEA OF JAMES STRESSING**

12 JAMES STRESSING entered a plea of guilty to one count of **Conspiracy to Defraud**
13 **the United States** in violation of 18 U.S.C. § 371 May 31, 2006, under Case No. 2:05-cr-17-
14 KJD-LRL in the United States District Court for the District of Nevada. He filed a Plea
15 Memorandum as part of this guilty plea. Relevant portions of the Plea Memorandum provide:

16 The defendant will plead guilty to Count Two of the
17 Information charging conspiracy to defraud the United States in
18 violation of Title 18, United States Code, Section 371.

19

20 This Plea Agreement is limited to the United States
21 Attorney's Office for the District of Nevada and cannot bind any
22 other federal, state or local prosecuting, administrative, or
23 regulatory authority. . . .

24

25 **THE CRAZY HORSE TOO and the defendant and**
26 **employees conspired to defraud the United States.**

27

28 . . . The shift managers of THE CRAZY HORSE TOO
generally collected fifteen percent (15%) of the individual
dancers' earnings at the end of each shift. . . . The defendant was
among the employees of THE CRAZY HORSE TOO who
received a portion of the United States currency collected from
the dancers.

. . . [T]he defendant agreed and conspired with THE
CRAZY HORSE TOO, its management, and other employees, to
under-report the cash income received at the end of each shift.

Document 17, Plea Memorandum, pp. 2, 6, 8-9 (emphasis added).

1 **THE GUILTY PLEA OF ROBERT UBRIACO**

2 ROBERT UBRIACO entered a plea of guilty to one count of **Conspiracy to Defraud**
3 **the United States** in violation of 18 U.S.C. § 371 May 31, 2006, under Case No. 2:05-cr-17-
4 KJD-LRL in the United States District Court for the District of Nevada. He filed a Plea
5 Memorandum as part of his guilty plea. Relevant portions of the Plea Memorandum provide:

6 The defendant will plead guilty to Count Two of the
7 Information charging conspiracy to defraud the United States in
8 violation of Title 18, United States Code, Section 371.

9

10 This Plea Agreement is limited to the United States
11 Attorney's Office for the District of Nevada and cannot bind any
12 other federal, state or local prosecuting, administrative, or
13 regulatory authority. . . .

14

15 **THE CRAZY HORSE TOO and the defendant and**
16 **employees conspired to defraud the United States.**

17

18 . . . The shift managers of THE CRAZY HORSE TOO
19 generally collected fifteen percent (15%) of the individual
20 dancers' earnings at the end of each shift. . . . The defendant was
21 among the employees of THE CRAZY HORSE TOO who
22 received a portion of the United States currency collected from
23 the dancers.

24 . . . [T]he defendant agreed and conspired with THE
25 CRAZY HORSE TOO, its management, and other employees, to
26 under-report the cash income received at the end of each shift.

27 Document 18, Plea Memorandum, pp. 2, 6, 8-9 (emphasis added).

28 **THE GUILTY PLEA OF PAULA McBRIDE**

 PAULA McBRIDE entered a plea of guilty to one count charging **False Statement**
24 **Before a Grand Jury** in violation of 18 U.S.C. § 1623 May 31, 2006, under Case No. 2:05-
25 cr-17-KJD-LRL in the United States District Court for the District of Nevada. She filed a Plea
26 Memorandum as part of her guilty plea. Relevant portions of the Plea Memorandum provide:

 The defendant will plead guilty to Count Six of the
Indictment charging false statement before grand jury in violation
of Title 18, United States Code, Section 1623.

1
2 This Plea Agreement is limited to the United States
3 Attorney's Office for the District of Nevada and cannot bind any
4 other federal, state or local prosecuting, administrative, or
5 regulatory authority. . . .

6 The defendant is pleading guilty because the defendant is
7 guilty of the charged offense.

8 In pleading to the offense, the defendant acknowledges
9 that if the defendant elected to go to trial instead of entering this
10 plea, the United States could prove facts sufficient to establish the
11 defendant's guilt beyond a reasonable doubt.

12
13 From in or about August 2001, up to and including
14 January 2005, Special Federal Grand Juries for the District of
15 Nevada have been investigating the activities of defendant
16 ROBERT D'APICE, THE POWER COMPANY, INC., doing
17 business as THE CRAZY HORSE TOO and their associates
18 concerning possible violations of federal criminal statutes. In
19 particular, **the grand jury was investigating acts of violence by**
20 **employees of THE CRAZY HORSE TOO**, including ROBERT
21 D'APICE, in the course of their employment and the use of
22 extortionate means with patrons by employees of THE CRAZY
23 HORSE TOO, including defendant ROBERT D'APICE, to
24 collect disputed charges. As part of its investigation, **the grand**
25 **jury was seeking to determine the knowledge of** certain
26 individuals, including defendant PAULA McBRIDE, as to
27 individuals involved in acts of violence by employees of THE
28 CRAZY HORSE TOO, including ROBERT D'APICE, in the
course of their employment and use of extortionate means with
patrons by employees of THE CRAZY HORSE TOO, including
defendant ROBERT D'APICE, to collect disputed charges.

29 . . . [D]efendant PAULA McBRIDE, while under oath as
30 a witness before the Special Federal Grand Jury of the District of
31 Nevada, made the following material **declarations**:

32 Q. At the time that he [individual identified as **Henry**
33 **who was found injured** outside Crazy Horse Too]
34 was leaving the Crazy Horse how was he walking
out?

35 A. Calmly, kind of tipsy, a little bit.

36 Q. **At the time that he walked out was there**
37 **anyone walking out near him?**

38 A. No.

1 At the time defendant **PAULA McBRIDE** made these
2 declarations she **knew that they were false** in that defendant
3 **PAULA McBRIDE** knew that she had observed the person
identified as Henry exit **THE CRAZY HORSE TOO** with or in
close proximity of **ROBERT D'APICE**

4 Document 19, Plea Memorandum, pp. 2, 6, 8-10 (emphasis added).

5 **THE CRIMINAL INFORMATION**
6 **(2:06-cr-0186-PMP-PAL)**

7 **CONSPIRACY TO PARTICIPATE IN AN**
8 **ENTERPRISE THROUGH A PATTERN OF RACKETEERING**

9 **THE POWER COMPANY, INC. d/b/a CRAZY HORSE TOO**

10 On June 1, 2006, a Criminal Information was filed in the United States District Court
11 for the District of Nevada under Case No. 2:06-cr-186-PMP-PAL charging **THE POWER**
12 **COMPANY, INC., d/b/a CRAZY HORSE TOO** in one count with **Conspiracy to Participate**
13 **in a Racketeering Enterprise** in violation of 18 U.S.C. § 1962(d). The Criminal Information
relevantly provides that:

14 **THE CRAZY HORSE TOO** in Las Vegas, Nevada, was
15 commonly known as a "gentlemen's club" or "strip club." The
16 terms "gentlemen's club" and "strip club" generally refer to
17 business establishments in which women dance semi-nude as
entertainment for the establishments' patrons. **THE CRAZY**
18 **HORSE TOO** provided entertainment to large numbers of tourists
traveling from outside the State of Nevada into the State of
Nevada.

19 Document 20, Criminal Information, Count One, ¶ 3, p. 2.

20 **During the period from 2000 to 2005**, dancers at **THE**
21 **CRAZY HORSE TOO** generally collected payments from patrons
22 of **THE CRAZY HORSE TOO** for dances or other services the
23 dancers provided. If a patron refused to pay a dancer, or if a
patron disputed the charges claimed by a dancer, the dancer
typically followed the procedure of initially contacting the shift
manager, or other male employees at **THE CRAZY HORSE**
24 **TOO**. **During the course of the conspiracy**, and as part of and
in furtherance of the conspiracy, the shift manager and other
male employees acting within the scope of their employment at
25 **THE CRAZY HORSE TOO**, on one or more occasions
(depending in part on the patron and other circumstances) sought
26 to **extort payment from patrons** through explicit or implicit
27 **threats of violence**, or through actual **use of force and physical**
violence

28 *Id.* at ¶ 4, pp. 2-3 (emphasis added).

1 During the period from **2000 to 2005**, dancers at THE
2 **CRAZY HORSE TOO** on one or more occasions sought to
3 **defraud customers** of THE CRAZY HORSE TOO by
4 **overcharging** the customers for dances or other services provided
5 or by causing charges on a customer's **credit card** in excess of
6 the dances or other services provided. . . . During the course of
7 the conspiracy . . . the shift managers or other male employees
8 acting within the scope of their employment at THE CRAZY
9 HORSE TOO, on one or more occasions (depending on the
10 patron and other circumstances) assisted the dancers in the
11 commission of fraud by **extorting** payment from patrons through
12 explicit or implicit **threats** of violence, or through actual **use of**
13 **force** and physical violence against patrons to coerce the patrons
14 to pay the disputed sums.

15 *Id.* at ¶ 5, p. 3 (emphasis added).

16 As part of and in furtherance of the conspiracy, THE
17 **POWER COMPANY, INC.**, **did not report or maintain**
18 **records** of the money received from the dancers. The
19 management of THE CRAZY HORSE TOO used this unreported
20 cash income from the business to supplement the wages of certain
21 employees. . . . [T]he **employees** that received cash salary
22 payments generally **under-reported** amounts received to THE
23 CRAZY HORSE TOO's bookkeeping staff. By failing to report
24 or record the sums of the cash payments, the **owners of THE**
25 **CRAZY HORSE TOO and the participating employees**
26 **combined to under-report** and conceal income of the owners,
27 managers, and employees . . . from the Internal Revenue
28 Service, the Nevada Employment Security Division, and the
industrial (workman's compensation) insurance providers.

Id. at ¶ 6, p. 4 (emphasis added).

From approximately **January 1, 2000 through 2005⁶**, in
the District of Nevada, and elsewhere,
[1] **POWER COMPANY, INC.**,
defendant herein, being associated with an enterprise . . . which
enterprise engaged in and the activities of which affected,
interstate commerce, did knowingly **conspire** and agree, with
ROBERT D'APICE and other persons known and unknown, to
conduct and to participate, directly and indirectly, **in the conduct**
of the affairs of the enterprise through a "pattern of
racketeering activity" The pattern of racketeering activity
through which the defendants agreed to conduct the affairs of the

⁶ LVMC § 6.02.360 provides that a licensee subject to discipline may be fined "in an amount not to exceed **\$1,000 for each day** that the violation which forms the subject matter of the complaint that recommends such disciplinary action is demonstrated to have been in existence" If the City Council approves the Complaint, and after hearing the matter determines that a disciplinary offense has been committed as set forth in the Complaint, THE POWER COMPANY, INC. d/b/a CRAZY HORSE TOO is subject to a fine not to exceed **\$2,192,000**.

1 enterprise consisted of multiple acts of **extortion** and threats
2 indictable under . . . United States Code . . . and Nevada
3 Revised Statutes . . . acts of access **device fraud** and **wire fraud**
4 indictable under . . . United States Code . . . and acts of **mail**
5 **fraud** and wire fraud indictable under . . . United States Code
6

7 *Id.* at ¶ 7, p. 5 (emphasis added).

8 **THE CRIMINAL INFORMATION**
9 **(2:06-cr-0186-PMP-PAL)**

10 **CONSPIRACY TO DEFRAUD THE UNITED STATES**

11 **FREDERICK JOHN RIZZOLO**

12 The same Criminal Information, filed June 1, 2006, also charges FREDERICK JOHN
13 RIZZOLO in one count with Conspiracy to Defraud the United States in violation of
14 18 U.S.C. § 371. The Criminal Information relevantly provides that:

15 From approximately **January 1, 2000 through 2005⁷**, in
16 the District of Nevada, and elsewhere,
17 [2] **FREDERICK JOHN RIZZOLO**,
18 . . . did willfully and knowingly **conspire** and agree together and
19 with others known and unknown to defraud the United States by
20 impeding, impairing, obstructing and defeating the lawful
21 government functions of the Department of Treasury . . . **in the**
22 ascertainment, computation, assessment, and **collection of**
23 revenue: to wit, **income and employment taxes**.

24 Document 20, Criminal Information, Count Two, ¶ 1, p. 7 (emphasis added).

25 Dancers performing at THE CRAZY HORSE TOO are
26 treated as independent contractors and are not paid by the club
27 for their services. Rather, THE CRAZY HORSE TOO patrons
28 commonly pay individual dancers for their services. The dancers
at THE CRAZY HORSE TOO are generally required to pay the
management or owners of THE CRAZY HORSE TOO a fee for
the opportunity to dance for customers within the club. . . . **THE**
CRAZY HORSE TOO generally required that dancers pay
fifteen percent (15%) of their earnings to the business for the
privilege of dancing The shift managers of THE CRAZY

26 ⁷ LVMC § 6.02.360 provides that a licensee subject to discipline may be fined “in an
27 amount not to exceed **\$1,000 for each day** that the violation which forms the subject matter of
28 the complaint that recommends such disciplinary action is demonstrated to have been in existence
. . . .” If the City Council approves the Complaint, and after hearing the matter determines that a
disciplinary offense has been committed as set forth in the Complaint, THE POWER COMPANY,
INC. d/b/a CRAZY HORSE TOO is subject to a fine not to exceed **\$2,192,000**.

1 HORSE TOO generally collected fifteen percent (15%) of the
2 individual dancers' earnings at the end of each shift.

3 *Id.* at ¶ 3, pp. 7-8 (emphasis added).

4 **The management of THE CRAZY HORSE TOO used**
5 **this unreported cash income from the business to supplement**
6 **the wages of certain employees. . . .** The club's floormen,
bouncers, bartenders, and the shift managers themselves all
received a share of the currency collected from the dancers.

7 *Id.* at ¶ 4, p. 8 (emphasis added).

8 **As part of the conspiracy to defraud the United States,**
9 **the management of THE CRAZY HORSE TOO including**
10 **defendant FREDERICK RIZZOLO did not report or maintain**
11 **records of the money received from the dancers. . . . THE**
12 **CRAZY HORSE TOO's procedures . . . enabled employees . . .**
13 **to under-report their cash income to THE CRAZY HORSE**
14 **TOO's bookkeeping staff and the Internal Revenue Service.**

15 *Id.* at ¶ 5, p. 8 (emphasis added).

16 **[T]he management of THE CRAZY HORSE TOO delivered to**
17 **the accountant and tax preparer for THE CRAZY HORSE TOO**
18 **records which failed to reflect the cash income from the**
19 **dancers that had been disbursed to employees.**

20 *Id.* at ¶ 6, p. 8 (emphasis added).

21 **As a further part of the conspiracy, the management of**
22 **THE CRAZY HORSE TOO, including defendant FREDERICK**
23 **RIZZOLO, filed, or cause to be filed, quarterly federal**
24 **employment tax returns under-reporting the true amount of**
25 **earnings the conspirators received in furtherance of the**
26 **conspiracy's goals to conceal the fraud. . . . [T]he owners of**
27 **THE CRAZY HORSE TOO, in combination with participating**
28 **employees, . . . evaded and failed to pay approximately**
\$400,000 of Federal Insurance Contributions Act (FICA) taxes
and Medicare taxes owed to the United States on the unreported
compensation.

Id. at ¶ 8, p. 9 (emphasis added).

. . . .

. . . .

. . . .

. . . .

. . . .

THE CRIMINAL INFORMATION
(2:05-cr-17-KJD-LRL)

CONSPIRACY TO PARTICIPATE IN AN
ENTERPRISE THROUGH A PATTERN OF RACKETEERING

(ROBERT D'APICE)

CONSPIRACY TO DEFRAUD THE UNITED STATES OF TAXES
(FOURTEEN OTHER EMPLOYEES OF CRAZY HORSE TOO)

On May 31, 2006, a Criminal Information was filed in the United States District Court for the District of Nevada under Case No. 2:05-cr-17-KJD-LRL charging Robert D'Apice with Conspiracy to Participate in an Enterprise Through a Pattern of Racketeering in violation of 18 U.S.C. § 1962(d) (Count One), and fourteen (14) other employees⁸ of THE CRAZY HORSE TOO with Conspiracy to Defraud the United States of Taxes in violation of 18 U.S.C. § 371 (Count Two). The Criminal Information relevantly provides that:

COUNT ONE

(Conspiracy to Participate in a Racketeering
Enterprise in violation of 18 U.S.C. § 1962(d))

. . . .

At all times material to this Information, **THE POWER COMPANY, INC.**, doing business as the **CRAZY HORSE TOO** . . . **ROBERT D'APICE**, and other individuals **constituted a racketeering enterprise**

Document 21, Criminal Information, p. 2 (emphasis added).

During the period from **2000 to 2005**, dancers at THE CRAZY HORSE TOO . . . collected payments from patrons If a patron refused to pay a dancer, or a patron disputed the charges . . . the dancer typically followed the procedure of initially contacting the shift manager During the course of the conspiracy . . . the defendant acting within the scope of his employment at THE CRAZY HORSE TOO . . . **sought to extort** payment from patrons through . . . **threats of violence** . . . use of force and **physical violence against patrons** . . . in violation of Nevada Revised Statutes **Defendant, THE CRAZY HORSE TOO** and others also conspired to, and did, interfere with commerce by threats and violence in violation of

⁸ Vincent Faraci, Joseph Melfi, Albert Rapuano, John Drace, Steve Alberts, Michael Muscato, James Stressing, Steve Crespi, Darren Bruy, Michael Lomonaco, Scott Speroni, Ralph Pope, Rocco Lombardo, and Robert Ubriaco.

1 . . . United States Code . . . and used interstate facilities in
2 furtherance of unlawful activity, to wit: extortion

3 *Id.* at pp. 2-3 (emphasis added).

4 From approximately **January 1, 2000 through 2005⁹**, . .
5 . ROBERT D'APICE . . . did knowingly conspire and agree,
6 with THE CRAZY HORSE TOO . . . to conduct and to
7 participate . . . in the conduct of the affairs of the enterprise
8 through a "pattern of racketeering activity," **The pattern**
9 **of racketeering . . . consisted of multiple acts of extortion**
10

11 *Id.* at p. 3 (emphasis added).

12 **COUNT TWO**
13 (Conspiracy to Defraud the United States
14 in violation of 18 U.S.C. § 371)

15
16 THE CRAZY HORSE TOO . . . was typically known as
17 a "gentlemen's club," or "strip club." . . .

18 Dancers performing at THE CRAZY HORSE TOO are
19 treated as independent contractors . . . THE CRAZY HORSE
20 TOO patrons commonly pay individual dancers for their services.
21 . . . [D]ancers at THE CRAZY HORSE TOO are generally
22 required to pay the management or owners of THE CRAZY
23 HORSE TOO a fee for the opportunity to dance [T]he shift
24 management of THE CRAZY HORSE TOO generally required
25 that dancers pay a percentage of their earnings THE
26 CRAZY HORSE TOO generally required that dancers pay fifteen
27 percent (15%) of their earnings The **shift managers of**
28 **THE CRAZY HORSE TOO generally collected fifteen percent**
(15%) of the individual dancers' earnings at the end of each
shift.

29 *Id.* at p. 5 (emphasis added).

30 The **management** of THE CRAZY HORSE TOO used
31 **this unreported cash income from the business to supplement**
32 **the wages of certain employees.** . . .

33

34 ⁹ LVMC § 6.02.360 provides that a licensee subject to discipline may be fined "in an
35 amount not to exceed **\$1,000 for each day** that the violation which forms the subject matter of
36 the complaint that recommends such disciplinary action is demonstrated to have been in existence
37" If the City Council approves the Complaint, and after hearing the matter determines that a
38 disciplinary offense has been committed as set forth in the Complaint, THE POWER COMPANY,
INC. d/b/a CRAZY HORSE TOO is subject to a fine not to exceed **\$2,192,000**.

1 As part of the conspiracy to defraud the United States, the
2 **management** of THE CRAZY HORSE TOO, including
3 **FREDERICK RIZZOLO did not report or maintain records of**
4 **the money received from the dancers. . . . [E]mployees were**
5 **permitted to self-report** the amount of these cash salary
6 **payments to THE CRAZY HORSE TOO's bookkeeping staff.**
7 **THE CRAZY HORSE TOO's procedures . . . enabled**
8 **employees, including defendants VINCENT FARACI, JOSEPH**
9 **MELFI, ALBERT RAPUANO, JOHN DRACE, STEVE**
10 **ALBERTS, MICHAEL MUSCATO, JAMES STRESING,**
11 **STEVE CRESPI, DARREN BRUY, MICHAEL LOMONACO,**
12 **SCOTT SPERONI, RALPH POPE, ROCCO LOMBARDO, and**
13 **ROBERT UBRIACO, to under-report** their cash income to . . .
14 the Internal Revenue Service.

15 *Id.* at pp. 5-6 (emphasis added).

16 [T]he **management** of THE CRAZY HORSE TOO **delivered to**
17 **the accountant and tax preparer** for THE CRAZY HORSE
18 **TOO records which failed to reflect the cash income** from the
19 **dancers that had been disbursed to employees.** The defendants
20 . . . knew that the accountant would rely on these inaccurate
21 summary sheets to prepare . . . tax returns for the years 2000
22 through 2002.

23 . . . [T]he **management** of THE CRAZY HORSE TOO
24 **knowingly caused the preparation and delivery of numerous**
25 **inaccurate Internal Revenue Service W-2 Forms** to certain
26 **employees . . . as well as to the Internal Revenue Service. . . .**
27 **The management and employees of the CRAZY HORSE TOO**
28 **. . . then knowingly used these inaccurate W-2 Forms to cause**
false individual income tax returns to be filed with the
Internal Revenue Service.

29 *Id.* at p. 6 (emphasis added).

30 By failing to report or record the cash payments to the
31 club's employees, **the owners of THE CRAZY HORSE TOO,**
32 **in combination with participating employees . . . evaded and**
33 **failed to pay** approximately \$400,000 of Federal Insurance
34 Contributions Act (FICA) taxes and Medicare taxes owed to the
35 United States on the unreported compensation.

36 *Id.* at pp. 6-7 (emphasis added).

37

38

39

40

THE CRIMINAL INDICTMENT
(CR-S-05-17-KJD-LRL)

FALSE STATEMENTS BEFORE A GRAND JURY

PAULA McBRIDE

On January 18, 2005, a criminal indictment was filed in the United States District Court for the District of Nevada under Case No. CR-S-05-17-KJD-LRL charging Paula McBride (at Count Six) with Giving a False Statement Before a Grand Jury in violation of 18 U.S.C. § 1623. The indictment relevantly provides that:

COUNT SIX
(False Statement Before Grand Jury)

. . . .

On August 27, 2002, in the District of Nevada,
PAULA McBRIDE,
defendant herein, while under oath as a witness before the Special Federal Grand Jury of the District of Nevada, did knowingly make false material declarations as follows:

Q. At the time that he [individual identified as **Henry** who **was found injured** outside Crazy Horse Too] was leaving the Crazy Horse how was he walking out?

A. Calmly, kind of tipsy, a little bit.

Q. At the time that he walked out was there anyone walking out near him?

A. No.

Q. Do you know an individual by the name of Bobby D'Apice?

A. Yes, I do.

Q. **At the time that Mr. Henry walked out of the club was Mr. D'Apice anywhere near Mr. Henry?**

A. **No, he was not.**

Q. At the time Mr. Henry walked out of the club did you observe Mr. D'Apice walking immediately behind Mr. Henry?

A. No, I did not.

1 Q. [I]s it your testimony today that at the time you
2 were sitting at the front, on September 20th, 19-
3 or 2001, you observed Mr. Henry leave THE
4 CRAZY HORSE TOO by himself?

5 A. Yes, it is.

6 Q. It is your testimony today that on September 20th,
7 2001 as you were sitting at the front of the Crazy
8 Horse observing Mr Henry leave, that Bobby
9 D'Apice was nowhere near Mr. Henry?

10 A. Yes, it is.

11 The aforesaid **testimony** of . . . PAULA McBRIDE . . .
12 **was false** in that . . . PAULA McBRIDE well knew that:
13 1) defendant PAULA McBRIDE had observed the person
14 identified as Henry exit THE CRAZY HORSE TOO with or in
15 close proximity of defendant ROBERT D'APICE; and
16 2) defendant PAULA McBRIDE had observed the defendant
17 ROBERT D'APICE exit outside of the CRAZY HORSE TOO
18 with or in close proximity of the person identified as Henry.

19 Document 22, Criminal Indictment, at pp. 16-17 (emphasis added).

20 SUBSTANTIVE LAW

21 LVMC § 6.02.330(H) provides:

22 The licensee may be subject to disciplinary action by the
23 City Council for good cause, which may, without limitation,
24 include:

25

26 **The actual business activity** constitutes a public or
27 private nuisance, or **has been or is being conducted in an**
28 **unlawful, illegal or impermissible manner.** [Emphasis added.]

LVMC § 6.02.350 provides:

A licensee under this Chapter shall be subject to
disciplinary action not only for acts or omissions done by such
licensee but also for acts and omissions done by the **principals,**
managers, agents, representatives, servants or **employees** of such
licensee. [Emphasis added.]

EVIDENCE

LVMC § 6.88.090 provides:

(A) The hearing need not be conducted according to
technical rules relating to evidence and witnesses. Any relevant
evidence may be admitted.

1 (B) The respondent shall have the right to call and
2 examine witnesses on his own behalf, cross-examine opposing
3 witnesses, introduce exhibits and evidence relevant to the issues
4 of the case, and offer rebuttal evidence.

5 (C) The respondent may be called and examined by the
6 City.

7 (D) The Clerk shall have the power to issue subpoenas for
8 witnesses to appear to give testimony.

9 PENALTY

10 LVMC § 6.02.360 provides:

11 Upon a showing of good cause and in the discretion of the
12 City Council, disciplinary action against a holder may take the
13 form of **cancellation, revocation**, refusal to renew, **suspension**,
14 imposition of conditions or restrictions or civil **fine** in an amount
15 not to exceed one thousand dollars for each day that the violation
16 which forms the subject matter of the complaint that recommends
17 such disciplinary action is demonstrated to have been in
18 existence, or any combination of such actions, as the particular
19 situation may require. The Council may also impose against the
20 licensee the actual costs incurred, and a reasonable amount for
21 attorney's fees, resulting from the imposition of disciplinary
22 action. The disciplinary actions available in this Section shall be
23 in addition to, and not exclusive of, any other civil or criminal
24 remedy which otherwise might be available. [Emphasis added.]

25 ALLEGATION

26 It is alleged that **between January 1, 2000, and December 31, 2005**, THE POWER
27 COMPANY, INC., d/b/a CRAZY HORSE TOO's actual business activity constituted a public
28 nuisance, and was conducted in an unlawful, illegal and impermissible manner.

29 **THE POWER COMPANY, INC.** conspired with Robert D'Apice to engage in a
30 pattern of **racketeering activity** in violation of federal law. CRAZY HORSE TOO operated
31 in such a manner that it constituted a racketeering enterprise. It engaged in acts of **extortion**,
32 device fraud, wire fraud, and mail fraud. **CRAZY HORSE TOO defrauded customers** by
33 extorting payment from them through threats and the **use of force**.

34 **THE POWER COMPANY, INC.**, Frederick Rizzolo, and fourteen (14) of his
35 employees also engaged in a pattern of racketeering by requiring dancers to pay 15% of their
36 earnings to shift managers. These shift managers, Frederick Rizzolo, and THE POWER

1 COMPANY, INC. did not report or maintain records of this money. The management of the
2 CRAZY HORSE TOO used this unreported cash income from the business to supplement the
3 wages of certain employees. The management knowingly caused the **preparation and**
4 **delivery of inaccurate** Internal Revenue Service **W-2 Forms**, knowing that these inaccurate
5 W-2 Forms would be filed with the Internal Revenue Service, and result in the **underpayment**
6 of Federal Insurance Contribution Act (FICA) taxes and medicare **taxes**.

7 One **employee** of THE POWER COMPANY, INC. **committed perjury** before a
8 federal grand jury to conceal the involvement of another employee in extorting payment from a
9 patron utilizing threats and the actual use of force which resulted in **bodily injury**.

10 WHEREFORE, the Petitioner respectfully requests the City Council to:


11 A. Approve the Complaint for Disciplinary Action and order a disciplinary hearing
12 at which the Respondent shall appear and show cause why the license that is the subject of this
13 Complaint should not be suspended or revoked, or other disciplinary action taken; or

14 B. Grant such other and further relief as the Council deems appropriate.

15 DATED this 3 day of July, 2006.


16 RESPECTFULLY SUBMITTED:

17
18 By:


19 MARK R. VINCENT, Director
Finance and Business Services

20 BRADFORD R. JERBIC
21 City Attorney

22 By:


23 WILLIAM P. HENRY
Senior Litigation Counsel
24 Nevada Bar No. 101
400 Stewart Avenue, Ninth Floor
25 Las Vegas, NV 89101
Attorneys for CITY OF LAS VEGAS
26
27
28